



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

JUL 26 2000

Dear Sir or Madam

We are asking for your help in making state and local campaign organizations aware of their possible new responsibilities that are part of the recently enacted amendments to section 527 of the Internal Revenue Code. On July 1, 2000, President Clinton signed Public Law 106-230, amending section 527. Section 527 provides for the federal income tax treatment of political organizations, including state and local candidate committees and other state and local political organizations. The new law, which became effective immediately, creates a new and expanded reporting regime for certain section 527 organizations.

The new law provides three different reporting requirements. First, under section 527(i) of the Code, political organizations are required to notify the Internal Revenue Service (IRS) both electronically and in writing of their status as section 527 organizations. This is accomplished with Form 8871 (a copy of which is enclosed). As noted in the enclosed news release (IR-00-49), organizations may file electronically through the Internet at www.irs.gov/bus_info/eo/pol-file.html. State and local political organizations, including candidate committees, committees of political parties, and other political organizations, that reasonably anticipate to have gross receipts of \$25,000 or more in any taxable year may be required to file Form 8871 with the IRS within 24 hours of being established. For existing organizations, the due date for filing this form is July 31, 2000.

The second reporting requirement closely mirrors reporting provisions of the Federal Election Campaign Act of 1971. Under section 527(j), political organizations that reasonably anticipate to have gross receipts of \$25,000 or more are required to file periodic reports (either monthly or quarterly in a Federal election year). These reports, on Form 8872 (copy enclosed) must contain the name, address, occupation, and employer of contributors of \$200 or more and of persons receiving expenditures of \$500 or more. As the enclosed news release (IR-00-50) states, state and local candidate committees and committees of political parties are specifically excluded from this requirement. However, other state and local political organizations that accept contributions or make expenditures for political purposes during the year may be required to file the reports.

The final reporting requirement under the new law is an expansion of the annual return reporting requirements. For taxable years beginning after June 30, 2000, organizations that receive \$25,000 or more in gross receipts will also be required to file Form 1120-POL. In addition, organizations required to file Form 1120-POL will also be

required to file Form 990. Form 990 is currently being revised to reflect these requirements.

While existing organizations should be aware of their responsibilities under the statute, we wish to ensure that the enclosed information is received by both new and existing organizations. Therefore, any help you may be able to give us in disseminating this information would be appreciated.

Thank you for your help. If you have any questions, please contact either Judith Kindell ((202) 622-6494) or John F. Reilly ((202) 622-7352).

Sincerely,

A handwritten signature in dark ink, appearing to read "Steven T. Miller", written in a cursive style.

Steven T. Miller
Director, Exempt Organizations

Enclosures

State and Local Political Organizations with Gross Receipts of \$25,000 or More Federal Income Tax Filing Requirements



Form 8871, *Political Organization Notice of Status*

File both electronically and in writing w/24 hours of establishment

Form 8872, *Political Organization Report of Contributions and Expenditures*

File monthly or quarterly (semi-annually in non-election year) if
accept contributions or make expenditures for political purpose
and not a party or candidate committee

Form 1120-POL, *U.S. Income Tax Return for Certain Political Organizations*

Form 990, *Return of Organization Exempt From Income Tax*

File annually for taxable years beginning after June 30, 2000

For more information, see the IRS web site at
http://www.irs.gov/bus_info/eo/pol-file.html
or call IRS Customer Service at 1-877-829-5500
from 8:00 am to 9:30 pm Eastern Time



Department of the Treasury
Internal Revenue Service
Communications Division
Washington, DC 20224

NEWS

→ For Release: 7/12/00

→ IR-2000-49

Media Contact: Tel. (202) 622-4000

Copies: Tel. (202) 622-4040

IRS RELEASES NEW FORM FOR SECTION 527 POLITICAL GROUPS, OUTLINES PLANS FOR NEW LAW

WASHINGTON – The Internal Revenue Service on Wednesday announced the release of the new form that section 527 political organizations must file and detailed plans for implementing other aspects of the new law governing these groups.

Starting immediately, section 527 political organizations must file Form 8871 with the IRS. This notice of organization must be filed by July 31.

The IRS action follows a new law approved last month by Congress and signed July 1 by President Clinton. The legislation creates a new set of rules for political organizations established under section 527 of the Internal Revenue Code. Under the new law, these 527 groups will be required to publicly disclose details about their organization, contributors, expenditures, annual returns and other information.

"The IRS is moving quickly to put these new rules in place. We want to make information from these organizations available to the public as soon as possible," IRS Commissioner Charles O. Rossotti said.

The IRS will soon release new forms and other details involving reporting and disclosure requirements for 527 organizations.

The first step is the release of Form 8871, "Political Organization Notice of Section 527 Status." The form is now available at the IRS web site, www.irs.gov, in the "Forms and Pubs" section.

Organizations must file Form 8871 both electronically and in writing. The form can be filed electronically at www.irs.gov/bus_info/eo/pol-file.html.

Every political organization under section 527 must file Form 8871 unless it reasonably expects annual gross receipts to always be less than \$25,000 in each taxable year. Political committees also do not have to submit this form if they are required to file reports with the Federal Election Commission. Section 501(c) organizations such as social welfare groups, labor unions and trade associations that file Form 1120-POL and pay taxes under section 527(f) also will not have to submit Form 8871.

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The law requires newly established organizations to file Form 8871 within 24 hours of their creation. However, the IRS realizes some of these section 527 organizations may not yet be aware of this requirement. Consequently, the IRS has extended the due date for filing Form 8871 until July 31, 2000, for any organizations established after June 30, 2000. Organizations already in existence on June 30, 2000, already have until July 31, 2000, to file Form 8871.

Form 8871 contains a variety of information about 527 organizations, including the organization's purpose, a list of related entities, contact persons, record custodians e-mail addresses and lists of officers, directors and highly compensated employees.

By August 15, the IRS will make available on its Internet site a list of organizations filing Form 8871. Copies of the Form 8871 will be available through the 527 organizations. The IRS is working on procedures to make copies of the forms available for public inspection as soon as possible.

The IRS will soon release another form that 527 organizations will use to periodically disclose contributions and expenditures made after July 1, 2000. Form 8872, Political Organization Report of Contributions and Expenditures, will include names, addresses, employers and occupations for contributors of \$200 or more annually. Organizations or individuals receiving \$500 or more annually from 527 organizations also will be listed on these forms.

The IRS will have additional guidance on Form 8872 very soon.

Information from filed Forms 8872 will be available for public inspection

The IRS also is in the process of determining which forms will be used as annual returns by 527 organizations with gross receipts of \$25,000 or more. These returns also will be available for public review.

"Putting these new rules in place poses a major challenge for the IRS given the short time frame available," Rossotti said. "However, we are committed to serving taxpayers by implementing this important new law in a timely and convenient manner."

If 527 organizations have questions or need help, they can contact 1-877-829-5500. Media inquiries should be directed to the IRS Media Relations office at (202) 622-4000.

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IRS UNVEILS FORM 8872 FOR SECTION 527 POLITICAL GROUPS; NEW FORM REQUIRES LISTING OF CONTRIBUTIONS, EXPENDITURES

WASHINGTON – The Internal Revenue Service on Monday announced the release of the new form that section 527 political organizations must use to provide details about contributions and expenditures. The agency also extended the filing deadline until July 31 for groups required to file this month.

Form 8872, titled Political Organization Report of Contributions and Expenditures, will require groups to list contributors of \$200 or more annually and expenditures of \$500 or more annually.

This marks the second new IRS form released in the last week covering section 527 organizations. This follows a new law approved last month by Congress and signed July 1 by President Clinton that creates a new set of rules for political organizations established under section 527 of the Internal Revenue Code. Under the new law, these 527 groups will be required to publicly disclose details about their organization, contributors, expenditures, annual returns and other information.

"The IRS continues moving forward with this important project as quickly as possible," IRS Commissioner Charles O. Rossotti said. "Putting these new rules in place is a top priority."

Form 8872 and related instructions are now available at the IRS web site, www.irs.gov, under the "Forms and Pubs" section. Look under "What's Hot in Tax Forms." Form 8872 can be downloaded at [ftp.fedworld.gov/pub/irs-fill/f8872.pdf](ftp://ftp.fedworld.gov/pub/irs-fill/f8872.pdf). The 8872 instructions are available at [ftp.fedworld.gov/pub/irs-pdf/i8872.pdf](ftp://ftp.fedworld.gov/pub/irs-pdf/i8872.pdf).

The new form requires 527 organizations to list the name, address, employer and occupation of contributors who give \$200 or more annually to the organization. Similar information will be listed for groups or individuals receiving \$500 or more annually from 527 organizations. The disclosure covers contributions received and expenditures made after July 1, 2000.

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The due dates for filing Form 8872 vary depending on whether it is an election or non-election year. In non-election years, the forms must be filed semi-annually or monthly. In election years, the forms must be filed quarterly or monthly and in connection to election dates. A complete listing of these filing periods can be found in the Form 8872 instructions.

Some organizations potentially face July filing deadlines for pre-election reports. However, the IRS realizes many 527 organizations may not yet be aware of this deadline, so the agency has decided to extend the deadline for any July filings of Form 8872 until July 31, 2000.

The IRS made the decision to give groups additional time to learn about the new requirements.

This follows a similar IRS decision to set July 31, 2000, as the deadline for these organizations to file Form 8871, "Political Organization Notice of Section 527 Status." This notice of organization, released last week, is also available at the IRS web site in the "Forms and Pubs" section.

Generally, section 527 organizations must file Form 8872 if they accept contributions or make expenditures during a calendar year. However, organizations do not file Form 8872 if:

- The organization is not required to file Form 8871, or
- They are the state or local committee of a political party or the political committee of a state or local candidate.

However, the IRS wants to alert many other state and local political organizations that they may need to file Forms 8871 and 8872. The new law generally covers 527 organizations active in state and local political campaigns as well as 527 organizations active in federal elections.

The IRS will assess penalties if an organization fails to file Form 8872 by the due date. Penalties will also be assessed if the organization fails to report all of the information required on the form or reports incorrect information. The penalty is 35 percent of the total amount of contributions and expenditures not properly reported.

Organizations must make copies of filed Forms 8872 and 8871 available for public inspection. In addition, the IRS is working on procedures to make these available for public inspection.

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"We are doing everything we can to make information from these groups publicly available as soon as possible," Rossotti said.

The IRS also is in the process of determining which forms will be used as annual returns by 527 organizations with gross receipts of \$25,000 or more. These returns also will be available for public review.

If 527 organizations have questions or need help, they can contact 1-877-829-5500. Media inquiries should be directed to the IRS Media Relations office at (202) 622-4000.

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